

Parex Resources Announces Operational Update, Oil Discoveries and Completion of Normal Course Issuer Bid



Calgary, Alberta, October 13, 2022 – Parex Resources Inc. (“Parex” or the “Company”) (TSX: PXT) announced an operational update inclusive of crude oil discoveries. Also announced is the completion of purchases under its current normal course issuer bid (“NCIB”) and an update on its balance sheet. *All amounts herein are in United States Dollars unless otherwise stated.*

Key Highlights

- Q3 2022 average production is estimated to be 51,100 boe/d⁽¹⁾, up approximately 8% from Q3 2021.
- Current production is approximately 55,000 boe/d⁽²⁾, demonstrating strong production growth to start Q4 2022.
- Expect FY 2022 production to average 52,000 to 53,000 boe/d⁽³⁾, with a 2022 exit rate in excess of 60,000 boe/d.
- Successful drilling efforts in the Llanos Basin year to date have resulted in crude oil discoveries on the Cabrestero, Capachos and LLA-40 blocks.
- Encouraging well results in the Magdalena Basin at the VIM-1 Block where Parex plans to begin reinjecting gas for enhanced oil recovery (“EOR”) starting in Q4 2022.
- Completed the current NCIB at the end of Q3 2022, marking the fourth consecutive year where Parex has purchased the maximum allowable shares under its NCIB programs, and equates to over C\$1.1 billion returned to shareholders through share repurchases since 2017.

Operational Update

Production – Q3 2022

- Q3 2022 average production is estimated to be 51,100 boe/d⁽¹⁾, up approximately 8% from Q3 2021 and consistent with Q2 2022.
- Q3 2022 average production varied from Management’s guidance of 53,000 to 55,000 boe/d⁽⁴⁾ due to delays from the unplanned testing of new zones, operational and weather-related setbacks, as well as temporary localized blockades.
- Temporary localized blockades following the election are estimated to have lowered total average production for Q3 2022 by approximately 1,500 boe/d, with potential future impacts anticipated to be lower and incorporated into the Company’s long-term planning.

Production – Current & Guidance

- Current production is approximately 55,000 boe/d⁽²⁾, demonstrating strong production growth to start Q4 2022.
- Q4 2022 production is expected to average 54,000 to 58,000 boe/d, with incremental volume to come from already drilled wells at Capachos, continued drilling at Block LLA-40 for short-cycle opportunistic adds, and the VIM-1 Block gas reinjection project once online.
- FY 2022 revised production guidance to average 52,000 to 53,000 boe/d, with the exit rate to still exceed 60,000 boe/d⁽³⁾; FY 2021 average production was 46,998 boe/d⁽⁵⁾.

(1) Estimated production volume for the three months ended September 30, 2022 (light and medium crude oil: 6,906 bbl/d, heavy crude oil: 43,066 bbl/d, and conventional natural gas: 6,766 mcf/d).

(2) Estimated total average production for the 12-day period of October 1, 2022 to October 12, 2022.

(3) FY 2022 average production guidance, as originally announced May 11, 2022, was 54,000 to 56,000 boe/d.

(4) As originally announced August 3, 2022.

(5) Production volume for the year ended December 31, 2021 (light and medium crude oil: 6,831 bbl/d, heavy crude oil: 38,449 bbl/d, and conventional natural gas: 10,308 mcf/d).

Llanos Basin – Capachos and Arauca Blocks (50% W.I.) – Positive Drilling Results with Multi-Zone Wells Coming Online at Capachos and Progressing Arauca for 2023

- Parex drilled the first new well at the Capachos Block since 2019, which encountered a new deeper zone resulting in a crude oil discovery. Work is currently being completed on the well to commingle production across the different zones and expected to be online in Q4 2022.
- Also at the Capachos Block, successfully recompleted an existing well that is now producing out of a new shallower zone with commingled production.
- As a result of these successes at Capachos, Parex and its partner are continuing development with a follow-up well that is currently being drilled. Longer-term, Parex sees three proven zones on the block, resulting in multiple recomplete and commingling opportunities for both existing and planned new wells.
- At the Arauca Block, civil works is completed for the first well and the rig is expected to arrive in Q1 2023 as a result of delays from testing at the Capachos Block. Further, Parex has added marketing optionality through offloading a portion of Capachos Block production to facilities at the Arauca Block.

Llanos Basin – Cabretero Block (100% W.I.) – Near-Field Exploration Success and Effective Waterflood Expansion

- Executing near-field exploration with a discovery in a new play that is now producing approximately 1,800 bbl/d⁽¹⁾ of heavy oil. Building on this success, the Company is evaluating potential follow-up locations, including a horizontal development well, and is planning to construct a new well pad in Q4 2022 to further delineate the potential.
- The acceleration of infill drilling as well as waterflood optimization is proceeding as planned and has resulted in production gains. Production has increased over 45% year-over-year from the block, with Q3 2022 production of approximately 11,000 bbl/d of heavy crude oil and current production of over 12,100 bbl/d⁽¹⁾ of heavy crude oil.

Llanos Basin – Block LLA-40 and LLA-26 (100% W.I.) – Short-Cycle Opportunistic Production Adds

- Performed a successful recompletion in a new zone on Block LLA-40 that resulted in a follow-up drilling campaign. The first follow-up well was drilled near the end of Q3 2022, which has produced crude oil and is expected to be on full production in early Q4 2022 following facility upgrades. A second appraisal well is planned for Q4 2022 to further define the zone size as well as increase short-term production.
- The Block LLA-26 and LLA-40 drilling campaigns have experienced weather-related setbacks, specifically a land slide that destroyed the main road to the blocks, affected rig moves and delayed spud timing. In response, the rig for the Block LLA-26 campaign was diverted to drill an exploration well on Block LLA-94. The Block LLA-26 drilling campaign will now begin in late Q4 2022 and is expected to add production beginning in Q1 2023.

Magdalena Basin – VIM-1 Block (50% W.I.) – Liquids-Rich Gas Developments

- A horizontal development well has been drilled to its total depth with encouraging results and the well is expected to be completed in early Q4 2022. The existing vertical well on the block produced approximately 1,400 bbl/d (light and medium crude oil) and 5,900 mcf/d (conventional natural gas) gross during Q3 2022. Once the horizontal well is completed, the two wells will be used for gas reinjection.
- Parex's strategy is to grow long-term liquids recovery by reinjecting gas for EOR and the Company has identified several other opportunities within its portfolio for this application. In this instance at VIM-1, Parex estimates the potential to double the liquids recovery factor.

(1) Estimated total average production for the 12-day period of October 1, 2022 to October 12, 2022.

Magdalena Basin – Boranda (50% W.I.) and Fortuna (100% W.I.) Blocks – Exploitation Potential

- Completed the assessment of four prospective formations at the Fortuna Block, which indicated non-economic results and ended the campaign. Experience applying proven technologies on this block, such as horizontal drilling, advanced stimulations, and synthetic drilling fluid, is being utilized on other blocks across the Company's inventory
- Parex drilled the first ever horizontal well on the Boranda Block, which is currently producing roughly 500 bbl/d⁽¹⁾ of heavy oil on jet pump. Based on this success, the Company is evaluating using similar horizontal drilling techniques in the field and estimates there are 10 to 15 potential follow-up locations on the block.

Return of Capital Update

Dividend

With the payment of the Q3 2022 regular dividend of C\$0.25 per share on September 30, 2022, Parex has paid over C\$130 million in dividends since Q3 2021.

Share Buybacks

As at September 30, 2022, Parex has completed the maximum allowable share purchases under its current NCIB through the purchase of 11.8 million shares, representing 10% of the public float as at December 22, 2021. The share purchases under the 2022 NCIB returned approximately C\$285 million to shareholders.

The completion of this year's NCIB marks the fourth consecutive year where Parex has purchased the maximum allowable shares under its NCIB programs, reducing the fully diluted share count by one third from approximately 164 million in 2017 to 110 million in 2022. Since 2017, Parex has returned over C\$1.1 billion to shareholders through share repurchases.

As at September 30, 2022, Parex had 109.3 million basic shares outstanding. In due course, the Company expects that it will submit a notice of intention to make an NCIB to the Toronto Stock Exchange for calendar 2023.

Capital Allocation Framework

Parex targets at least one third of annual funds flow from operations ("FFO")⁽²⁾ and 100% of free funds flow ("FFF")⁽³⁾ to be returned to shareholders through dividends and share buybacks. Based on current Management estimates, Parex expects to be able to meet this goal in 2022.

Balance Sheet Update

Parex estimates its working capital surplus⁽²⁾ to be approximately \$225 million as at Q3 2022, a decrease of roughly \$85 million from Q2 2022. Cash on the balance sheet has been reduced by the acceleration of share buybacks as noted above and the purchase of long-lead items such as well casing to support the 2023 capital expenditure program.

As at September 30, 2022, Parex continues to be debt free and has an undrawn \$200 million credit facility.

Q3 2022 Results – Conference Call & Webcast

We are holding a conference call and webcast for investors, analysts and other interested parties on Friday, November 4, 2022, at 9:30 am MT (11:30 am ET). To participate in the conference call or webcast, please see access information below:

(1) Estimated total average production for the 12-day period of October 1, 2022 to October 12, 2022.

(2) Capital management measure. See "Non-GAAP and Other Financial Measures Advisory."

(3) Non-GAAP financial measure. See "Non-GAAP and Other Financial Measures Advisory."

Toll-free dial number (Canada/US): 1-800-806-5484
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About Parex Resources Inc.

Parex is the largest independent oil and gas company in Colombia, focusing on sustainable, conventional production. The Company's corporate headquarters are in Calgary, Canada, with an operating office in Bogotá, Colombia. Parex is a member of the S&P/TSX Composite ESG Index and its shares trade on the Toronto Stock Exchange under the symbol PXT.

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Non-GAAP and Other Financial Measures Advisory

This press release uses various "non-GAAP financial measures" and "capital management measures" (as such terms are defined in NI 52-112), which are described in further detail below. Such measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of Parex's performance.

These measures facilitate management's comparisons to the Company's historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and natural gas industry to evaluate the Company's performance. Further, management believes that such financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities.

Set forth below is a description of the non-GAAP financial measures and capital management measures used in this press release.

Non-GAAP Financial Measures

Free funds flow, is a non-GAAP financial measure that is determined by funds flow provided by operations less capital expenditures. The Company considers free funds flow to be a key measure as it demonstrates Parex's ability to fund return of capital, such as the NCIB, without accessing outside funds.

Capital Management Measures

Funds flow provided by operations, is a capital management measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital.

Working capital surplus, is a capital management measure that the Company uses to describe its liquidity position and ability to meet its short-term liabilities. Working capital surplus is defined as current assets less current liabilities.

Oil & Gas Matters Advisory

The term "Boe" means a barrel of oil equivalent on the basis of 6 Mcf of natural gas to 1 barrel of oil ("bbl"). Boe's may be misleading, particularly if used in isolation. A boe conversation ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1Bbl, utilizing a conversion ratio at 6 Mcf: 1 Bbl may be misleading as an indication of value.

References in this press release to short-term production rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will continue to produce and do not take into account any future declines and are also not indicative of long-term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. Readers are cautioned not to place reliance on such rates in calculating the aggregate production of Parex.

The following abbreviations used in this press release have the meanings set forth below:

bbl	one barrel
bbls	barrels
bbls/d	barrels per day
boe	barrels of oil equivalent of natural gas; one barrel of oil or NGLs for six thousand cubic feet of natural gas
boe/d	barrels of oil equivalent of natural gas per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day

Distribution Advisory

The Company's future shareholder distributions, including but not limited to the payment of dividends and the acquisition by the Company of its shares pursuant to an NCIB, if any, and the level thereof is uncertain. Any decision to pay further dividends on the common shares (including the actual amount, the declaration date, the record date and the payment date in connection therewith and any special dividends) or acquire shares of the Company will be subject to the discretion of the Board of Directors of Parex and may depend on a variety of factors, including, without limitation the Company's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Company under applicable corporate law. Further, the actual amount, the declaration date, the record date and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that the Company will pay dividends or repurchase any shares of the Company in the future.

Advisory on Forward-Looking Statements

Certain information regarding Parex set forth in this document contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", "forecast", "guidance", "budget" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent Parex's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual

events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement of expectations since such expectations are inherently subject to significant business, operational, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Parex's actual results, including without restriction, drilling and completion results, to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex.

In particular, forward-looking statements contained in this document include, but are not limited to, statements with respect to: the Company's focus, plans, priorities and strategies; Parex's fourth quarter 2022 and full-year 2022 production guidance; Parex's anticipated 2022 exit production rate; Parex's plans to begin reinjecting gas for EOR starting in Q4 2022; Parex's expectations that recently drilled wells, including those that resulted in a discovery, will be able to successfully be brought onto production and the anticipated timing thereof; the Company expecting to have multiple recompletion and comingling opportunities on the Capachos Block across up to three stratigraphic zones for both existing and planned new wells; the Company's plans to construct a new well pad on the Cabrestero Block to further delineate the potential; the timing for the first follow up well drilled on Block LLA-40 to be on production following facility upgrades and the timing to drill a second appraisal well on this Block to further define the size of the zone and, assuming success, to increase short term production; the timing to begin the Block LLA-26 drilling campaign and the timing for production from such campaign to begin; the timing to complete the horizontal development well drilled on the VIM-1 Block and for the two wells on this Block to be used for a reinjection scheme; the Company's strategy to grow long-term liquids recovery by reinjecting gas for EOR and for the application of this strategy be expected to more than double the liquids recovery factor at the VIM-1 Block; Parex's target to return at least one third of FFO and 100% of FFF to shareholders through dividends and share buybacks and the expectation that Parex will meet this target; and the anticipated timing for Parex's quarterly conference call and webcast.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic conditions in Canada and Colombia; prolonged volatility in commodity prices; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; impact of the COVID-19 pandemic and the ability of the Company to carry on its operations as currently contemplated in light of the COVID-19 pandemic; determinations by OPEC and other countries as to production levels; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; obtaining required approvals of regulatory authorities in Canada and Colombia; the risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; volatility in market prices for oil; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs relating to the oil industry; changes to pipeline capacity; ability to access sufficient capital from internal and external sources; failure of counterparties to perform under contracts; the risk that Brent oil prices are lower than anticipated; the risk that Parex's evaluation of its existing portfolio of development and exploration opportunities is not consistent with its expectations; risk that initial test or drilling, completion or other operational results are not indicative of future performance; risk that Parex does not have sufficient financial resources in the future to provide distributions to its shareholders; the risk that the Board does not declare dividends in the future or that Parex's dividend policy changes; the risk that Parex's increased short-cycle activity will not be successful or maximize value for its shareholders; the risk that Parex is unable to meet its fourth quarter 2022 or full-year 2022 production guidance or its anticipated 2022 exit production rate; the risk that the wells Parex expects to have on production, including wells that resulted in a discovery, will not ultimately result in the production of commercial quantities of hydrocarbons or are otherwise not able to be brought onto production, in whole or in part; the risk that there are not multiple recompletion and comingling opportunities on the Capachos Block; the risk that the Company is unable to construct a new well pad on the Cabrestero Block or is delayed in doing so; the risk that the wells Parex plans to drill and/or complete on Block LLA-40, Block LLA-26 and the VIM-1 Block are not drilled and/or completed or that such operations are delayed or are unsuccessful, in whole or in part; the risk that the Company's strategy to grow long-term liquids recovery by reinjecting gas for EOR is unsuccessful, in whole or in part; the risk that Parex is unable to achieve its target to return at least one third of FFO and 100% of FFF to shareholders through dividends and share buybacks, and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could

affect Parex's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Although the forward-looking statements contained in this document are based upon assumptions which Management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this document, Parex has made assumptions regarding, among other things: current and anticipated commodity prices and royalty regimes; the impact (and the duration thereof) that the COVID-19 pandemic will have on the demand for crude oil and natural gas, Parex's supply chain and Parex's ability to produce, transport and sell Parex's crude oil and natural gas; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the price of oil, including the anticipated Brent oil price; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; receipt of partner, regulatory and community approvals; royalty rates; future operating costs; uninterrupted access to areas of Parex's operations and infrastructure; recoverability of reserves and future production rates; the status of litigation; timing of drilling and completion of wells; on-stream timing of production from successful exploration wells; operational performance of non-operated producing fields; pipeline capacity; that Parex will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Parex's conduct and results of operations (including, without restriction, drilling and completion operations) will be consistent with its expectations; that Parex will have the ability to develop its oil and gas properties in the manner currently contemplated; that Parex's evaluation of its existing portfolio of development and exploration opportunities is consistent with its expectations; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of Parex's production and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that Parex will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; that Parex will have sufficient financial resources to pay dividends and acquire shares pursuant to its NCIB in the future; and other matters.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this document in order to provide shareholders with a more complete perspective on Parex's current and future operations and such information may not be appropriate for other purposes. Parex's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Parex will derive. These forward-looking statements are made as of the date of this document and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This press release contains information that may be considered a financial outlook under applicable securities laws about the Company's potential financial position, including, but not limited to, the Company's target to return at least one third of FFO and 100% of FFF to shareholders through dividends and share buybacks; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Company and the resulting financial results will vary from the amounts set forth in this press release and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such financial outlook. The financial outlook contained in this press release was made as of the date of this press release and was provided for the purpose of providing further information about the Company's potential future business operations. Readers are cautioned that the financial outlook contained in this press release is not conclusive and is subject to change.